



April 26, 2012

The Honorable Patrick Tiberi
Chairman
Subcommittee on Select Revenue Measures
Committee on Ways and Means
1136 Longworth House Office Building
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
Subcommittee on Select Revenue Measures
Committee on Ways and Means
1139E Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Tiberi and Ranking Member Neal:

On behalf of Associated Builders and Contractors (ABC), a national association with 74 chapters representing 22,000 merit shop construction and construction-related firms, I am writing in regard to the Select Revenue Measures Subcommittee hearing on certain expiring and recently expired tax provisions. While ABC supports the extension of various expenditures, we believe comprehensive tax reform is necessary to end the annual extenders charade while lending certainty and stability to the small business community. With such reform in mind, the following provisions deserve consideration for permanent extension.

Businesses were able to write off 100 percent of the cost of purchases of new equipment placed in service during 2011, while a 50 percent first-year depreciation allowance applies through 2012. In a capital-intensive business such as construction, this accelerated depreciation creates an extraordinary incentive to invest in big ticket items that would otherwise be cost prohibitive amid the economic adversity of the past few years. Similarly, the increased ability to write off certain property under Section 179 expensing rules strongly encourages this sort of equipment spending. Both deductions should be made permanent to promote steady capital investment.

ABC also supports the deduction of state and local sales taxes; the 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements (which we also believe should be expanded to include new restaurant construction); the abbreviated five-year built-in gain holding period for S Corporations; and the R&D tax credit.

Sound tax policy is necessary not only for a growing economy, but also for a solvent federal budget. The perpetual extension of temporary tax relief is neither an economically effective nor fiscally prudent approach. Instead of annual “fixes,” Congress must determine which expenditures merit permanent extension, while allowing those provisions deemed unworthy to expire.

Sincerely,

Liam P. Donovan
Director, Legislative Affairs